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Trust Fund
Accounting Guide

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Questions we Considered

- ✓ How should I report receipts?
- ✓ How should I report unobligated balances?
- ✓ Should I report offsetting collections?
- ✓ How should the SF 133, FMS 2108 and Program and Financing Schedule of the President's Budget relate?
- ✓ Are there special reporting requirements for trust fund investments?
- ✓ Are there differences between Agency-managed and Treasury-managed trust funds?
- ✓ Where should I go for answers?

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TRUST FUND ACCOUNTING GUIDE

PREFACE

Trust Funds Defined

The Federal government account structure consists of the following fund types: general, revolving, special, deposit, and trust. The fund type for the establishment of a new Federal account is dependent upon terms stated in legislation. For example, trust funds are established to carry out purposes of a trust agreement or statute.

The Federal Budget of the U.S. Government groups funds into two 2 major categories: Federal funds and trust funds. Federal funds include general, revolving and special fund types. Trust funds are alone in their category, and consist only of funds that are designated by law as trust funds, earmarking receipts for spending on specific purposes. The laws establishing trust funds also generally require balances to be invested in Treasury debt securities. Within the trust fund group, there is also a relatively small number of trust funds categorized as trust revolving funds, which are established to perform business-type operations.

Some of the larger dollar volume and more commonly known trust funds finance social insurance payments for individuals, such as social security, Medicare, and unemployment compensation. Others finance highway construction and airport and airway development. There are also several smaller dollar volume trust funds established to carry out the terms of a gift or bequest.

Trust Fund Account Structure

Funding sources of some of the larger trust funds include Federal and nonfederal contributions, interest on investments, taxes, premiums, state deposits, Federal fund transfers, excise taxes, customs duties, fines and penalties, and user fees, most of which are first recorded in a trust fund receipt account.

In many cases, a trust fund consists of one or more receipt accounts and a corresponding expenditure account. The receipt account is established to record receipts stipulated by the terms of a trust agreement or statute. At the point of collection these receipts may or may not be immediately available for obligation, and may or may not be available for investment. As of May 2000, there were roughly 525 trust fund receipt accounts, 99% of which are designated by statute as available for investment. For those trust funds, the receipts are automatically credited to the corresponding expenditure account without any further action by Congress, whereby they are invested. The expenditure account also credits amounts received via non-expenditure allocation or appropriation transfer.

There are a few trust funds established by law as trust revolving funds, in which case a combined receipt and expenditure account is used. These entities perform business-type operations. The

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accounting for trust revolving funds is similar to that of revolving funds in the Federal fund group.

In contrast to the receipts described above that do comprise the majority of Federal trust funds, there are a few trust funds that collect receipts that, at the time of collection, are unavailable for obligation. The Office of Management and Budget (OMB) requires receipts of this nature to be excluded from the SF 133: Report on Budget Execution. If, however, the receipts are designated by law as available for investment, Treasury instructs that the unobligated balances be reported on the FMS 2108: Year-End Closing Statement. This presents a disconnect in the reporting of unobligated balances, which has been acknowledged as a reconciling item between Treasury and the OMB.

Format and References used to prepare the Trust Fund Accounting Guide

The scenarios that follow are categorized into several sections. The first section illustrates basic accounting transactions and reporting for trust fund accounts that are not subject to limitation or special treatment. The sections that follow relate to specific topics that have been addressed and approved by the U.S. Standard General Ledger Board. For example, trust funds subject to limitation may follow the standard accounting treatment for portions of a trust fund, but due to the nature of the fund it may be subject to different reporting requirements at year-end. Another example is provided for trust funds whose receipts are not immediately available for obligation upon collection. Also included is a scenario on trust fund investments in Bureau of Public Debt securities, as well as an illustration of transfers among Treasury-managed trust fund accounts. Future sections will be added for trust funds with contract authority and limitations on administrative expenses.



As additional SGL accounts and/or transactions are approved, this guide will expand. And where at all possible, each section will include examples of specific trust funds that fit into the individual categories. The examples can be used by all agencies in determining the proper accounting treatment for each individual trust fund.

This guide has been developed as a culmination of extensive research into current reference materials, as well as Treasury/OMB meetings to discuss areas that have not been clearly addressed or fully explored. The following resources are just a few of the integral tools pertinent to analyzing each agency's trust fund in order to determine the proper accounting treatment:

- ✓ Agency's establishing legislation and/or annual appropriation language
- ✓ Budget Appendix of the United States Government
- ✓ FASAB Standard #7 - Accounting for Revenue and Other Financing Sources
- ✓ OMB Circular A-11: Preparation and Submission of Budget Estimates
- ✓ OMB Circular A-34: Instructions on Budget Execution
- ✓ Treasury Financial Manual (TFM) references
- ✓ U.S. Government Annual Report - Appendix

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Accounting Topics Illustrated in this Guide

- ✓ Basic Trust Fund Accounting (pp.3 - 11)
- ✓ Trust Funds Subject to Limitation (pp.12 - 21)
- ✓ Trust Fund Receipts Available for Investment but not Obligation (pp.22 - 26)
- ✓ Trust Fund Investments (pp.27 - 37)
- ✓ Treasury-Managed Trust Funds (pp.38 - 51)
- ✓ Trust Funds with Contract Authority
 (under construction)
- ✓ Trust Funds with Limitations on Administrative Expenses
 (under construction)